

STATE OF NEW HAMPSHIRE  
OFFICE OF PROFESSIONAL LICENSURE AND CERTIFICATION

DIVISION OF TECHNICAL PROFESSIONS

REAL ESTATE APPRAISERS BOARD

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Vacant, Public Member



January 9, 2019

Legislative and Regulatory Activities Division  
Office of the Comptroller of the Currency (OCC)  
Mail Stop 9W-11, 400 7th Street, SW  
Washington, DC 20219

Board of Governors of the Federal Reserve System (Board)  
20th Street and Constitution Avenue, NW  
Washington, DC 20551

Federal Deposit Insurance Corporation (FDIC)  
550 17th Street, NW  
Washington, DC 20429  
Re: Banking Agencies' Review Pursuant to EGRPRA

Dear Sir or Madam:

The New Hampshire Real Estate Appraiser Board (NHREAB) thanks you for the opportunity to comment on the federal banking agencies' proposed rule change as published in the Federal Register Vol. 83, No. 235, dated December 7, 2018 and beginning on page 63110. The proposed rule change is "to increase the threshold level at or below which appraisals would not be required for residential real estate-related transactions from \$250,000 to \$400,000". The proposed rule change goes on to "require evaluations that are consistent with safe and sound business practices for transactions exempted by the increased threshold".<sup>1</sup>

The NHREAB believes there should be no increase in the residential real estate appraisal threshold. Our concerns are focused on assuring the "safety and soundness" of financial institutions which we believe to be a shared goal with the agencies. The FDIC mission statement begins by defining itself as "an independent agency created by Congress to maintain stability and public confidence in the nation's financial system..."; The OCC mission states that it is "To ensure that national banks and federal savings

<sup>1</sup> NHREAB Board Member, Kimothy Griffin, sits on the Board as a designee of the Bank Commissioner of the state of New Hampshire. In this capacity, Mr. Griffin takes no position on the proposed rule and was not present at the NHREAB meeting when this letter and the Board's opposition to the proposed rule was discussed. This letter should not be read to indicate opposition by the Banking Commissioner, the New Hampshire Banking Department or any of its staff to the proposed rule.

associations operate in a safe and sound manner...”, and; the website for the Board under the Purpose and Function tab states “The Federal Reserve System performs five functions to promote the effective operation of the U.S. Economy and, more generally, to serve the public interest”. The NHREAB shares the goals stated by the agencies but strongly disagrees with the agencies’ analysis and conclusions regarding the proposed rule as presented within the Federal Register.

The NHREAB believes the analysis within the Federal Register severely understates the increased risk to safety and soundness if the rule increasing the appraisal threshold level were to be adopted. According to the New England Real Estate Network (MLS) there were 17,681 single family residential real estate sales in New Hampshire for the year 2017 with the average price being \$308,239 and a median price of \$266,000. Of the total sales, 3,275 or 19% (r) were above \$400,001; hence 81% (r) would fall below the threshold level requiring an appraisal if the threshold were to be increased to \$400,000. In 2017 there were 6,425 sales (36%) between \$250,001 and \$400,000, and; 7,981 sales (45%) under \$250,000. Clearly the consumers within NH should be concerned over safety and soundness when 81% of the transactions could be exempted from appraisals meeting the Uniform Standards of Professional Appraisal Practice (USPAP) requirements. The USPAP requirements along with the development of State Appraiser Boards were created to assure the public that appraisals are to be completed to a set of standards by professional, competent, and independent individuals who are credentialed by a State authority with enforcement capabilities.

The proposed rule change speaks to the financial entities requirement that evaluations be performed by a preparer who is “knowledgeable, competent, and independent of the transaction” (page 63116 Column 1). Can the agencies currently provide a list of the “preparers” meeting these standards? Who shall develop the list and who shall provide oversight? A list of “knowledgeable, competent and independent” licensed appraisers is already in place. Clearly, the creation of a list for evaluators and the development of oversight responsibility may well require costs far in excess of projected monetary savings. Page 63123 Column 2 states “The FDIC estimates this (ed. appraisal threshold increase) will result in a potential cost savings for small, FDIC-supervised institutions of \$321.75 per year, per institution”. The creation of a new list of “evaluators” and the monitoring of same could be more costly than the projected monetary savings. Furthermore, the erosion in public confidence may well exceed monetary savings as the public will lack a State enforcement agency to whom they may file complaints and/or seek assurance that oversight exists, whereby evaluators are confirmed to be “knowledgeable, competent, and independent of the transaction”. Licensed Appraisers are held accountable; will those preparing evaluations be subject to similar accountability?

At the end of paragraph 2 on Page 63118, column 3 states “The agencies estimate that approximately 91 percent of all mortgages originated in the United State are not subject to the agencies’ appraisal requirement due to their not being originated by regulated institutions, being sold to the GSEs or otherwise insured or guaranteed by a U.S. government agency, or having transaction amounts at or below the current

\$250,000 threshold". The agencies' analysis assumes that no entity undergoes an appraisal for a collateralized mortgage transaction unless it is required to do so. The real world sees many appraisals being undertaken for transactions even if not required to do so, including transaction under the current threshold level of \$250,000. Although we do not know the exact number of transactions having an appraisal completed despite not being required, we are confident that such appraisal activity is undertaken because these entities asking for appraisals take seriously the concept that the safety and soundness of financial institutions is best met by the licensed appraiser who is "knowledgeable, competent, and independent of the transaction". In short, the statement on Page 63118 the end of paragraph 2, Column 3 reflects an analysis that is based solely on theory, believing that authorization equates to real world and practical application. The NHREAB believes that an increase in the threshold level may send a signal that results in having entities who currently practice safety and soundness abandon their present common sense in favor of the agencies' flawed and limited analysis. In short, the agencies may well be severely underestimating the increase risk to safety and soundness and the undermining of public confidence that, in our opinion, is likely to result from the adoption of the proposed rule.

In conclusion, the NHREAB urges the agencies to reject the adoption of the proposed rule. At a minimum, the agencies should revisit any proposal regarding the appraisal threshold with the intent of seeking to recognize the potential real world and practical outcomes emerging from the adoption of such a rule change and to determine how those outcomes align with the agencies' own mission statements.

Sincerely,

A handwritten signature in cursive script, appearing to read "George A. Dempsey". The signature is written in black ink and is positioned above the typed name.

New Hampshire Real Estate Appraiser Board (NHREAB)